Income tax features new carbon credit this year; Amount will vary across country

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Body

Ottawa is about to hit you with a new tax, but they're going to reimburse you for it first. How's that for a switch?

It's called the Climate Action Incentive (CAI) Refundable Tax Credit. It shows up at Line 449 on the tax return and will be calculated on Schedule 14. Anyone 18 or older who lives in Ontario, New Brunswick, Manitoba, or Saskatchewan is eligible.

Essentially, Ottawa is refunding in advance the carbon tax that is due to go into effect April 1 (although Ontario and the other affected provinces are still fighting it).

It will raise the price of gasoline, diesel, heating oil, natural gas and coal-generated electricity, but the Liberal government says with the tax credit most families will actually come out ahead. The amount of the credit will vary between provinces, but according to Warren Orlans of TurboTax Canada a single person in Ontario will get $154. A family of four will receive $307. People living in rural areas get an additional 10 per cent.

Anyone 18 or older who lives in a designated province can claim this credit, which, like the GST credit, is refundable. But you must file a return to claim it, even if you have no income.

The filing deadline is still 10 weeks away, but it's smart to take a few minutes to think about your taxes now, says Orlans, who spent 11 years with the Canada Revenue Agency (CRA) and was once named its employee of the year. First, you may still be able to reduce your 2018 bill. Second, if you're expecting a refund, you'll get it sooner if you file early.

Cutting your 2018 tax bill is easy. Just make an RRSP contribution before the March 1 deadline. Use an online tax program to calculate how much you are likely to owe as things stand right now. Even without all your reporting slips, you should be able to estimate last year's income. Then plug in various levels of RRSP contributions and see how much you would save. The higher your tax bracket, the bigger the bang for your RRSP buck. It may be worthwhile applying for an RRSP loan, as long as you can pay it back within a year.

Last year, 56 per cent of tax filers received a refund, with the average being $1,768. If you expect money back, the sooner you file your return, the sooner you'll get your cheque or direct deposit.

But don't file until you have all your information slips, Orlans advises. Missing slips will throw a wrench into the system and delay the processing of your return.

Most tax reporting slips are mailed out by the end of February, but a few may be delayed. They include slips for RRSP contributions made between Jan. 1 and March 1 and T5013 slips for investment income from partnerships, which are usually sent in mid to late March.

He advises everyone to use the CRA's My Account feature to check on all information slips. They're posted there along with information about your RRSP contribution room, TFSA status, and more. Most online tax programs will link with My Account to automatically download all the key information to your return, which saves a lot of data entry time. If you haven't used this feature, go to cra-arc.gc.ca to open your personal account.

Looking ahead, what can you do over the next 10+ months to reduce your 2019 tax bill? Here are some ideas.

Make sure enough tax is being withheld. Nobody likes to see a big chunk of their paycheque being withheld for taxes and CPP contributions. But what's worse is finding you owe the government a stomach-churning amount when you prepare your return. If you have income from more than one source, that's entirely possible since there is no co-ordination of withholding among employers. It's up to you to avoid tax-time shocks by requesting to have extra cash withheld if required.

Make monthly RRSP contributions. An alternative to extra withholding is to set up a monthly contribution plan for your RRSP. Keep the money for your retirement instead of giving it to the government.

Make regular charitable contributions. Most charities have monthly giving programs. You can help others while building up a nice tax deduction at the same time.

Keep a file for medical receipts. You'll be surprised how quickly they can add up, especially if you have a large family. Remember that prescriptions, dental care, glasses, hearing aids, paid caregivers and more can be claimed once the costs exceed 3 per cent of income.

Finally, I asked Orlans about the long delays in phoning the CRA with a question. I know how frustrating this can be from personal experience. Most of the time the lines are busy; when you do get through you can be left on hold for what seems like hours. The late auditor-general, Michael Ferguson, reported in the fall of 2017 that the CRA's call centres blocked more than half the calls they received and gave the wrong answers to questions almost one-third of the time.

I thought someone who had worked for the agency for 11 years might have an answer to this problem. He didn't.

His advice was to use the My Account feature, which should have the answers to most of your personal questions. Otherwise, call the Customer Service desk of your online tax service.

They'll typically respond much more quickly - and probably much more accurately.

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